



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0279	<b>Title:</b>	Revise laws relating to transportation
<b>Primary Sponsor:</b>	Reinhart, Michele	<b>Status:</b>	As Amended-Revised

- |  |  |  |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget        | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### **FISCAL SUMMARY**

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	(\$103,176)	(\$103,176)	(\$103,176)	(\$103,176)
<b>Net Impact-General Fund Balance</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### **Description of fiscal impact:**

HB 279 as amended affects the equitable distribution of indirect costs required under federal 2 CFR Part 225 (circular A-87). The Montana Department of Transportation (MDT) would be prohibited from recovering indirect costs from a local government for the state run Community Transportation Enhancement Program.

### **FISCAL ANALYSIS**

#### **Assumptions:**

#### **Montana Department of Transportation (MDT)**

- MDT is required to provide analysis and submit an indirect cost proposal in accordance with the Office of Management and Budget (OMB) Circular "A-87". MDT's federal cognizant agency with approving authority is Federal Highways Administration (FHWA). They review and approve MDT's proposed indirect cost allocation plan on an annual basis. Currently, the rate is 14.06%.
- The Community Transportation Enhancement Program (CTEP) is a Montana program that funds transportation related projects designed to strengthen the cultural, aesthetic, and environmental aspects of Montana's intermodal transportation system. MDT has elected to sub-allocate the enhancement funds to local governments for selection and prioritization of local CTEP projects. As the administrator of the

program, MDT is required to provide certain services for project inspections and other oversight requirements of federal funded programs even when projects are administered by local governments.

3. Current Community Transportation Enhancement Programs (CTEP) funding is estimated at \$6,237,006 annually. Of this amount, 14.06% is indirect costs, \$768,826 (\$6,237,006/1.1406).
4. The CTEP has a match rate of 86.58%-federal and 13.42% - local.
5. Local indirect cost share on Community Transportation Enhancement Program (CTEP) projects is estimated at \$103,176 (\$768,826 \* 13.42%).
6. If HB 279 is passed as amended, MDT will be required to absorb administrative costs of \$103,176 on an annual basis while still providing the administrative service costs to maintain the state-run federal program. These costs would be funded from fuel tax revenues. Road construction and maintenance projects would be reduced to cover these costs.

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
State Special Revenue (02)	(\$103,176)	(\$103,176)	(\$103,176)	(\$103,176)
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
State Special Revenue (02)	(\$103,176)	(\$103,176)	(\$103,176)	(\$103,176)

**Effect on County or Other Local Revenues or Expenditures:**

1. This bill would allow local participating governments to retain the indirect cost portion of CTEP projects. This would have a positive impact on local governments.

**Technical Notes:**

1. Changing state law to exclude any federal funding source from having IDC assessed does not comply with OMB circular A-87 which requires states to create and apply an IDC consistently to all federally funded programs. This includes the funding sources given exemptions in this bill. If HB 279 is passed, MDT would have to cover the local IDC amount of the local match from a state special revenue source.

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Sponsor's Initials

\_\_\_\_\_  
Date

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Budget Director's Initials

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Date